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Thailand

Agricultural Situation

Intervention stock release likely 2008

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Report Highlights:

The Government plans to release 2.1 million tons of old-crop intervention stocks for export next month. However, no decision has been made whether these will be government-to-government, or private sales. Meanwhile, the Government is expected to cushion the impact on farmers of downward pressure on domestic prices with a new intervention program for the wet-season crop to be harvested in November. Government intervention stocks will likely reach record 5 million tons of paddy by the beginning of next year if intervention prices for the new program are finalized at 15,000 baht/ton.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Bangkok [TH1]
[TH]

Current intervention stocks to be cleared but no decision yet on how

The Thai Prime Minister and new Commerce Minister agreed last week to release all intervention stocks of rice. By the end of the off-season intervention program on September 30, 2008, outstanding stocks will likely have increased to 3.6 million tons, of which 2.1 million tons are old-crop intervention stocks (prior to 2006/07), and 1.5 million tons will be 2007/08 intervention stocks. The Government is expected to release 2.1 million tons of old crops within the next month. The Prime Minister has re-authorized the Commerce Ministry's authority on the rice committee and supports releasing stocks through government-to-government sales.

Last week, the Thai Government offered to sell 300,000 tons of parboiled rice (25% grade) to the Djibouti Government for three-year delivery at \$860/MT. The terms and conditions are expected to be finalized this week. The Thai Government will hold a tender to recruit private exporters to handle the shipments as the Government does not have parboiled rice production facilities. The Government expects more enquiries of white rice for government-to-government deals with other countries mostly in Africa and Asia, including Liberia, Iran, Nigeria, and Bahrain. Meanwhile, the Commerce Minister proposed stock release through private exporters in order to avoid bureaucratic procedure in sales and payments. However, the Commerce Minister's stock release plan is controversial. The stocks will likely to be released to individual exporters as in the past few of years when this kind of stock release incurred losses of approximately 1.2 billion baht (\$35 million) ([TH7127](#)).

No matter how the Government releases the intervention stocks, the release will put downward pressure on domestic and export prices of Thai rice. Presently, domestic prices are trending downward as foreign buyers are sourcing Vietnamese rice which is \$120-170/MT cheaper than Thai rice. Export prices of premium white rice dropped significantly to approximately \$670/MT, as compared to an average of \$780/MT in June. Export prices will likely continue along a downward trend as the Indian Government is expected to lift its export ban on non-basmati rice in October. Although the Thai Government is implementing the intervention program for current second crops with high intervention prices of 14,000 baht/ton (\$418/MT), farmgate prices of white rice paddy are currently 2,000 baht/ton (\$60/MT) lower than intervention prices.

The Commerce Minister is proposing a new intervention program for 2008/09 main crop (November 2008 – March 2009) with higher intervention prices in order to reduce the impact of the stock release on domestic farm prices. Intervention prices are proposed at 15,000 baht/ton (\$448/MT) for white rice paddy and up to 19,000 baht/ton (\$567/MT) for fragrant rice paddy. However, the proposed intervention prices will likely be finalized at levels lower than current intervention prices. If the proposed new intervention comes into being, Government stocks could reach a record 5 million tons of paddy by the beginning of next year.

End of report